



TALKING POINTS: Pay As You Go (PAYGO)

OUR PRINCIPLE: *Republicans believe in 'PAYGO Now' – not upon the completion of the imminent Democrat spending spree. We have a commitment to fiscal responsibility, and spending reform must operate under the premise that the money Washington spends is not government's money. It belongs to the taxpayers who earned it. We will work with Democrats to advance spending reforms, but we will protect Americans from the use of PAYGO rules to take more of their hard-earned money in tax hikes in order to fund more government spending.*

PAYGO needs to happen BEFORE the Democrat spending spree. If Democrats are serious about committing to fiscal discipline, then they will move on PAYGO prior to advancing any of their announced "Six for '06" spending proposals.

- Moving on "Six for '06" prior to passing PAYGO is the equivalent of a family deciding on a budget and then going out on a spending spree, maxing-out its credit cards before it actually begins living under the new budget.

Republicans support PAYGO with teeth. Republicans support PAYGO as a mechanism to end deficit spending, and if it's deficit spending that we are trying to stop, we ought to implement the following:

- Caps on discretionary spending;
- Deficit targets;
- An end to runaway growth rate of current entitlement spending – current entitlement spending is now at \$1.3 trillion annually, and growing at seven percent annually.

Democrats want PAYGO so they can raise taxes, not cut spending. Raising taxes on hardworking Americans – as Democrats plan to do – is not a demonstration of fiscal discipline; instead, it's a recipe for more spending and bigger government. Americans deserve to know the price tag for Democrat PAYGO.

The President's tax cuts should be exempt from PAYGO. Millions of Americans will pay more in taxes if the Democrats do not exempt the Bush tax cuts from their PAYGO rules.

Democrat PAYGO does nothing to fix the AMT problem. The stealth alternative minimum tax is set to affect nearly 30 million Americans by the end of the decade. At this point, a temporary fix may cost \$49.2 billion. Democrats have yet to address how they intend to balance their pledge to fix the AMT with their intent to impose tougher budget rules. (*Bloomberg*, 11/16/06)